RHB Bank (RHBBANK MK)

1Q26: Steady Start As Credit Cost Normalises

BUY (Maintained)

Share Price	RM8.21
Target Price	RM9.10
Upside	+10.8%

Analyst(s)
Philip Wong
philipwong@uobkayhian.com
+603 2147 1996

Keith Wee Teck Keong
keithwee@uobkayhian.com
+603 2147 1981

Highlights

- 1Q26 earnings are within expectations, with earnings representing 24/25% of our/consensus full-year estimates respectively.
- Quarterly earnings declined due to weak NOII, partly cushioned by NII growth from NIM expansion as NCC normalised.
- Maintain BUY and target price of RM9.10 (1.11x 2027F P/B, 10.3% ROE). RHB Bank offers an attractive dividend yield of 6.4-7.0%.

1Q26 Results

Year to 31 Dec	1Q26 (RMm)	1Q25 (RMm)	yoy % chg	4Q25 (RMm)	qoq % chg
Net Interest Income	1,007.5	969.8	3.9	992.2	1.5
Islamic Banking	661.8	557.5	18.7	575.1	15.1
Fees & Commissions	286.9	223.1	28.6	292.4	(1.9)
Net Trading Income	135.4	82.2	64.8	155.8	(13.0)
Other Operating Income	104.4	215.1	(51.5)	317.2	(67.1)
Total Income	2,195.9	2,047.6	7.2	2,332.6	(5.9)
Operating Expenses	(1,015.1)	(970.7)	4.6	(1,129.6)	(10.1)
PPOP	1,180.8	1,077.0	9.6	1,203.0	(1.8)
Provision on loans	(90.3)	(105.8)	(14.6)	(11.8)	666.6
PBT	1,090.5	971.2	12.3	1,191.2	(8.5)
Net Profit	856.8	750.0	14.2	905.7	(5.4)
EPS (sen)	21.4	18.7	14.2	22.6	(5.4)
DPS (sen)	0.0	0.0	n.a.	35.0	n.a.
BVPS (RM)	7.58	7.38	2.7	7.83	(3.2)
Financial Ratios (%)	**1Q26 %**	**1Q25 %**	**yoy +/- ppt**	**4Q25 %**	**qoq +/- ppt**
NIM	1.86	1.84	0.02	1.82	0.04
Loan Growth, yoy	0.8	0.6	0.2	2.2	(1.3)
Deposit Growth, yoy	2.4	(0.4)	2.8	(0.5)	2.8
Loan/Deposit Ratio	97.2	95.1	2.1	98.2	(1.0)
Cost/Income Ratio	46.2	47.4	(1.2)	48.4	(2.2)
ROE	10.2	9.3	0.9	10.7	(0.5)
NPL Ratio	1.5	1.5	(0.0)	1.4	0.1
Credit Costs (bp)	14.3	17.7	(3.4)	1.9	12.4
Loan Loss Cov	38.7	76.9	(38.1)	76.6	(37.8)
CET-1 CAR	14.7	16.0	(1.2)	15.2	(0.5)

Source: RHB Bank, UOB Kay Hian

Analysis

- **In line.** RHB Bank (RHB) reported a net profit of RM856.8m in 1Q26 (+14.2% yoy, -5.4% qoq). 1Q26 earnings are our and consensus forecasts expectations, with earnings representing 24% and 25% of our/consensus full-year estimates respectively. 1Q26 earnings rose 14.2% yoy, supported by a 7.2% income growth. NII grew 4.6% amid NIM expanding by 2bp, while NOII increased 14.1%. PPOP rose 9.6% on positive JAWS, while lower ECL drove credit cost down to 14bp from 17bp.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net interest income	3,869.3	3,880.2	4,284.1	4,570.3	4,865.3
Non-Interest Income	2,559.6	2,734.8	2,865.4	2,951.4	3,010.4
Net profit (rep./act.)	3,120.2	3,365.0	3,540.7	3,696.9	3,852.8
Net profit (adj.)	3,120.2	3,365.0	3,540.7	3,696.9	3,852.8
EPS (sen)	71.4	77.0	81.0	84.6	88.1
PE (x)	11.5	10.6	10.1	9.7	9.3
P/B (x)	1.1	1.0	1.0	1.0	1.0
Dividend yield (%)	5.2	6.1	6.4	6.7	7.0
Net int margin (%)	1.8	1.7	1.8	1.8	1.8
Cost/income Ratio (%)	46.7	47.3	46.9	47.0	47.0
Loan loss cover (%)	78.6	76.6	82.6	87.8	92.6
Consensus net profit	n.a	n.a	3,493.3	3,688.7	3,947.4
UOBKH/Consensus (x)	n.a	n.a	1.0	1.0	1.0

Source: RHB Bank, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector	Financials
Bloomberg ticker	RHBBANK MK
Shares issued (m)	4,362
Market cap (RMm)	36,640
Market cap (US$m)	9,410
3-mth avg daily t'over (US$m)	8.0

Price Performance (%)

52-week high/low: RM8.50/RM6.07

1mth	3mth	6mth	1yr	YTD
3.1	20.2	27.3	8.4	21.6

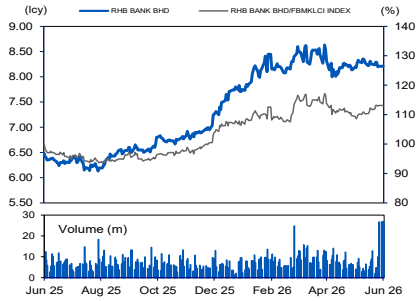
Major Shareholders

	%
EPF	39.0
OSK Holdings	10.3

Balance Sheet Metrics

FY26F NAV/Share (RM)	8.1
FY26F CAR Tier -1 (%)	17.9

Price Chart



Source: Bloomberg

Company Description

Fifth largest fully integrated financial services groups in Malaysia by total assets size. Provides universal banking services to customers.

- **QOQ trend.** 1Q26 earnings declined 5.4% qoq as income fell 5.9%, dragged by weaker NOII (-19.9%). This was partly cushioned by NII growth (+1.5%) and a 4bp NIM expansion, while credit cost normalised to 14bp from 2bp.
- **NIM recovery gaining traction.** Group NIM expanded 4bp qoq to 1.86%, driven mainly by deposit repricing and lower funding cost, while NIM with liability management was stable at 1.91%. Singapore NIM improved sharply by 14bp qoq as deposit repricing and lower SORA flowed through, with domestic NIM also expanding 4bp qoq. Management expects further support from maturing expensive deposits, mySiswa CASA growth and multi-currency account balances, while deposit competition remains rational. 2026 NIM guidance was maintained at around 1.90% with liability management, implying confidence that funding repricing can offset asset yield pressure.
- **Normalised credit cost within guidance; overlays provide buffer.** RHB's 1Q26 credit cost normalised to 14bp from 2bp in 4Q25, as 4Q25 had benefitted from ECL writebacks arising from model adjustments and improved macro assumptions. Credit cost remained benign and within 2026 guidance, with ECL declining 14.6% yoy to RM90m from RM106m. Management indicated that there was no addition or release of management overlays in 1Q26, leaving the overlay balance intact at RM339m. However, it includes RM76m previously set aside for the US tariff risk, which could potentially be reallocated to macro-related provisions from oil prices or geopolitical stress.
- **GIL ratio edged higher.** In 1Q26, the group's GIL ratio rose 6bp qoq to 1.47%, driven mainly by domestic GIL, which increased to 1.28% from 1.20%. The uptick was largely from retail seasonality and SME accounts, including around RM40m of performing Stage 2 loans conservatively migrated to Stage 3 for closer monitoring. Stage 2 ratio nevertheless eased to 4.67% (4Q25: 4.82%). Provision buffers remained adequate, with loan-loss coverage (LLC) including regulatory reserves at 114.3%, which is lower qoq from 118.2%. Meanwhile, standalone LLC stood at 73.2% (4Q25: 76.6%).
- **Outlook.** Despite geopolitical and macro uncertainty, management retained its 2026 guidance, supported by 5-6% loan growth, NIM of 1.83-1.86%, and CIR of 46-47%. NOII should be supported by bancassurance, wealth management and trading, with management targeting 30% NOII contribution. Cost discipline remains intact, with RM300m-350m 2026 cost optimisation targeted. Asset quality watch is centred on SMEs and oil price spillovers, though credit cost remains benign at 14bp.
- **2026 key guidance** is as follows: a) loans growth of 5-6%, b) net credit cost of 13-14bp, c) ROE of 10.8-11.0%, d) GIL ratio of 1.35-1.40%, e) CIR of 46- 47%, and d) NIM of 1.83-1.86% (or 1.91-1.94% including liability management).

Valuation/Recommendation

- **Maintain BUY and target price of RM9.10** (1.11x 2027F P/B, 10.3% ROE). Despite the strong ytd share price performance, valuations remain attractive at 1.0x P/B - below the sector average of 1.10x - supported by a comparable ROE of 10.3% and a compelling dividend yield of 6.4-7.0%.

Earnings Revision/Risk

- No revision to earnings.
- **Risks.** Key downside risks include: a) weaker-than-expected SME asset quality trends, particularly from second-order oil price/geopolitical spillovers; b) heightened deposit competition which could pressure NIM; and c) softer market-sensitive NOII, especially from weaker trading income, forex gains and brokerage volumes.

Key Assumptions

(%)	2026F	2027F	2028F
Loan Growth	5.5	5.0	4.8
Credit Cost (bps)	13.0	13.0	13.0
ROE	10.1	10.3	10.5

Source: RHB Bank

Environmental, Social, Governance (ESG) Updates

Environmental

- Green loan commitment. RHB remains committed to Net Zero by 2050 and Carbon Neutral Operations by 2030. Operational GHG emissions were reduced by 49.9% against its 2016 baseline, ahead of its 2025 target of 47.5%.

Social

- Board and upper management gender diversity. RHB maintained strong diversity progress, with women accounting for 39.9% of top and senior management, ahead of its 33.3% target by 2027.
- Community impact initiatives supported over 1.5m cumulative beneficiaries, 29,916 SMEs, 228,198 individuals through financial literacy and 1,073 micro-SMEs, with RHB Foundation and RHB Bank investing RM5.4m and RM6.8m respectively.

Governance

- Non-independent board of directors composition. Board independence remained healthy, with Independent Directors making up 60% of the Board in 2025. The Chairman and GMD/CEO roles are held by separate individuals, supporting independent oversight and avoiding concentration of authority.

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Interest income	9,812	8,957	9,577	10,148
Interest expense	-5,931	-4,673	-5,007	-5,282
Net interest income	3,880	4,284	4,570	4,865
Fees & commissions	991	1,040	1,071	1,093
Other income	608	633	652	665
Non-interest income	1,136	1,193	1,228	1,253
Income from islamic banking	2,159	2,224	2,291	2,360
Total income	8,774	9,374	9,812	10,235
Staff costs	-2,466	-2,664	-2,837	-2,993
Other operating expense	-1,688	-1,732	-1,777	-1,823
Pre-provision profit	4,620	4,978	5,199	5,419
Loan loss provision	(214)	(344)	(361)	(378)
Other provisions	0	0	0	0
Associated companies	(28)	(28)	(28)	(28)
Other non-operating income	0	0	0	0
Pre-tax profit	4,378	4,607	4,810	5,013
Tax	-1,010	-1,062	-1,109	-1,156
Minorities	-4	-4	-4	-4
Net profit	3,365	3,541	3,697	3,853
Net profit (adj.)	3,365	3,541	3,697	3,853

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Cash with central bank	2,286	1,817	1,938	2,059
Govt treasury bills & securities	89,698	97,548	106,092	115,395
Interbank loans	549	604	664	731
Customer loans	247,910	261,349	274,204	287,139
Investment securities	0	0	0	0
Derivative receivables	2,453	2,344	2,235	2,127
Associates & JVs	65	65	65	65
Fixed assets (incl. prop.)	1,101	1,117	1,134	1,153
Other assets	14,042	14,769	15,602	16,583
Total assets	358,104	379,613	401,935	425,251
Interbank deposits	31,018	33,499	36,179	39,074
Customer deposits	252,537	267,689	283,751	300,776
Derivative payables	283	295	306	319
Debt equivalents	7,020	7,020	7,020	7,020
Other liabilities	33,056	36,260	39,038	41,611
Total liabilities	323,914	344,763	366,294	388,799
Shareholders' funds	34,146	34,802	35,588	36,395
Minority interest - accumulated	44	48	53	57
Total equity & liabilities	358,104	379,613	401,935	425,251

Operating Ratios

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Capital Adequacy				
Tier-1 CAR	15.2	17.7	17.2	16.7
Total CAR	17.6	20.1	19.4	18.8
Total assets/equity (x)	10.5	10.9	11.3	11.7
Tangible assets/tangible common equity (x)	11.6	12.0	12.4	12.8
Asset Quality				
NPL ratio	1.4	1.4	1.4	1.4
Loan loss coverage	76.6	82.6	87.8	92.6
Loan loss reserve/gross loans	1.1	1.2	1.2	1.3
Increase in NPLs	1.5	4.5	5.3	5.7
Credit cost (bp)	8.5	13.0	13.0	13.0
Liquidity				
Loan/deposit ratio	98.2	97.6	96.6	95.5
Liquid assets/short-term liabilities	32.6	33.2	33.9	34.7
Liquid assets/total assets	25.8	26.3	27.0	27.8

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Growth				
Net interest income, yoy chg	0.3	10.4	10.4	10.4
Fees & commissions, yoy chg	1.5	5.0	5.0	5.0
Pre-provision profit, yoy chg	0.8	7.8	7.8	7.8
Net profit, yoy chg	7.8	5.2	5.2	5.2
Net profit (adj.), yoy chg	7.8	5.2	5.2	5.2
Customer loans, yoy chg	5.5	5.4	5.4	5.4
Customer deposits, yoy chg	1.2	6.0	6.0	6.0
Profitability				
Net interest margin	1.74	1.80	1.79	1.78
Cost/income ratio	47.3	46.9	47.0	47.1
Adjusted ROA	1.1	1.0	1.0	1.0
Reported ROE	9.9	10.2	10.4	10.6
Adjusted ROE	9.9	10.2	10.4	10.6
Valuation				
P/BV (x)	1.0	1.0	1.0	1.0
P/NTA (x)	1.2	1.1	1.1	1.1
Adjusted P/E (x)	10.7	10.1	9.7	9.3
Dividend Yield	6.1	6.4	6.7	7.0
Payout ratio	65	65	65	65

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